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65-46411

11 MAR 1965

DR

The Honorable Dean Rusk
 Secretary of State
 Washington, D. C. 20520

Dear Dean:

In discussions with the Bureau of the Budget a problem has arisen with respect to the Agency's production of intelligence on the economies of non-Communist countries. The Bureau appears to interpret the Agency's limited research and production in this area as contrary to the provisions of DCID No. 3/1 (Production and Coordination of Foreign Economic Intelligence), which allocates primary production responsibility of economic intelligence on foreign countries outside the Sino-Soviet Bloc to the Department of State. At the same time, this directive provides that each department or agency . . . shall maintain adequate research facilities to accomplish its departmental intelligence production mission, and . . . may make such studies as it believes necessary to supplement intelligence produced by other departments and agencies. Paragraph 7c. of NSCID No. 3, which discusses the CIA's responsibilities for producing economic intelligence on the Sino-Soviet Bloc, states that the CIA may produce such other intelligence as may be necessary to discharge the statutory responsibilities of the Director of Central Intelligence.

While continuing to recognize the Department's primary responsibility for the production of Free World economic intelligence, I have found it necessary to develop within CIA a limited capability for all-source economic analyses on non-Communist countries. Part of the need to create this capability grew from the discharge of CIA's responsibility for providing intelligence on Communist economic activities in non-Communist countries.

The Agency's responsibility to produce, at

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the national level, timely all-source economic intelligence on current developments in non-Communist areas precludes, as a practical matter, our relying wholly on the other intelligence components of the community. Lastly, as the Director of Central Intelligence, I must maintain within the Agency the capability of obtaining immediate all-source economic intelligence bearing on critical national policy questions and also insure that I have within the Agency the competence to evaluate the economic intelligence on non-Communist areas obtained from the Department and other agencies upon which we are dependent.

We have found it helpful to reinforce the Department's economic contributions to National Estimates, particularly since 1961 when the Department consciously reoriented its economic intelligence effort away from more basic research toward direct support of policy officials in the form of brief departmental reports and memoranda. It is my understanding that the reduction in the Department's capability for economic intelligence research on non-Communist countries has stemmed not only from this reorientation but also from the transfer to CIA, at Mr. Hilsman's request, of the Department's NIS production responsibilities.

We understand the adjustments that the Department has made in this field and believe that the people concerned, both in this Agency and in the Department, are fully aware of the economic intelligence produced in their respective organizations.

I have informed the Bureau of the Budget that my responsibilities as DCI require that I maintain such limited capability as we have developed for all-source analyses of the economies of non-Communist countries, and I have also had the matter brought to [REDACTED] attention. The proliferation of new nations, particularly in Africa, and the increasing challenge of Communist initiatives in these newly emergent nations has brought about a sharp increase in the demands, at the highest government levels, for economic intelligence. In my view, it is necessary for the Department and CIA to continue at least their present joint production capabilities on non-Communist areas if we are to respond to national economic intelligence needs of urgent concern. This could not be done if the capability of either the Department or of the CIA in this field were reduced.

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My purpose in writing you is to insure that you are aware of my views on the importance of maintaining both State and CIA production capabilities at no lower than present levels and to inform you that I am advising the Bureau of the Budget that we consider DCID No. 3/1 properly interpretable as permissive of these intelligence production activities.

Sincerely,

John

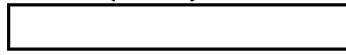
John A. McCone
Director

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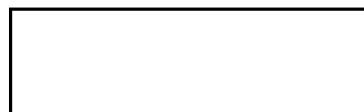

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